

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

| | | |
|---------------------------------------|---|-------------------------------|
| THE APPLICATION OF BIG SANDY RECC, |) | |
| BLUE GRASS RECC, CLARK RECC, |) | |
| CUMBERLAND VALLEY RECC, FARMERS RECC, |) | |
| FLEMING-MASON RECC, FOX CREEK RECC, |) | PSC CASES NOS. 8662, 8681, |
| GRAYSON RECC, HARRISON RECC, |) | 8695, 8696, 8697, 8698, 8699, |
| INTER-COUNTY RECC, JACKSON COUNTY |) | 8700, 8701, 8702, 8703, 8704, |
| RECC, LICKING VALLEY RECC, |) | 8705, 8706, 8707, 8708, 8715, |
| NOLIN RECC, OWEN COUNTY RECC, |) | AND 8716 |
| SALT RIVER RECC, SHELBY RECC, |) | |
| SOUTH KENTUCKY RECC AND TAYLOR |) | |
| COUNTY RECC FOR AN ORDER AUTHOR- |) | |
| IZING A PASS-THROUGH OF EAST KENTUCKY |) | |
| POWER COOPERATIVE, INC.'S WHOLESALE |) | |
| POWER RATE INCREASE IN CASE NO. 8648 |) | |

ORDER

On November 12, 1982, the eighteen rural electric cooperatives (the "Cooperatives") which are members of East Kentucky Power Cooperative, Inc. ("East Kentucky Power"), by counsel, filed their Motion to Deviate from Commission's Regulations on Rate Applications, pursuant to 807 KAR 5:011, Section 13, which provides for deviations from the rules regarding tariffs in special cases for good cause. In support of this motion, the Cooperatives state that they have filed, on or before November 1, 1982, notices of intent to file rate adjustment applications to pass through wholesale rate increases granted to East Kentucky Power in PSC Case No. 8648, and intend to file such applications no later than December 1, 1982. Attached to the motion was a Proposed Procedure for Pass-Through of Wholesale Rate Increase ("Proposed Procedure") that the Cooperatives request be utilized by the Commission in these pass-through cases. The Cooperatives state that a similar procedure was utilized by the Commission in the most recent pass-through rate increases, that no objections were made to such procedure by other parties to the cases,

and that they believe such a procedure was in the best interests of the public and affected consumers. Accordingly, the Cooperatives have requested that they be authorized to utilize the Proposed Procedure in the upcoming cases to be filed by December 1, 1982, that only one public notice in the Rural Kentuckian magazine or other appropriate means of written communication be required, and that no public hearing be required in the individual cases unless specified by the Commission.

The Commission, having considered the motion and the attached Proposed Procedures and being advised, is of the opinion and finds that this is such a special case justifying a deviation from the Commission's rules on tariffs and that good cause for such a deviation has been shown.

IT IS THEREFORE ORDERED That the motion be and is hereby sustained to utilize the Proposed Procedure for Pass-Through of Wholesale Rate Increase, a copy of which is attached and is hereby incorporated into this Order as Exhibit I, in the above-named cases.

IT IS FURTHER ORDERED That the Cooperatives shall give notice to their members of the proposed rate increase, the estimated amount of increase per customer class and the date, time, and place of East Kentucky Power's rate hearing either through publication in the January issue of the Rural Kentuckian magazine, through inserts in customer billings mailed in January, or by one publication in a newspaper of general circulation in its service area, not less than seven nor more than twenty-one days prior to East Kentucky Power's rate hearing, scheduled for February 9, 1983.

IT IS FURTHER ORDERED That hearings shall not be required in the above-named cases unless individually ordered by the Commission.

Done at Frankfort, Kentucky, this 19th day of November, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

PROPOSED PROCEDURE FOR PASS-THROUGH
OF WHOLESALE RATE INCREASE

SECTION 1. APPLICATION FOR CHANGE IN BASE RATE

The rates an electric utility is currently authorized to charge its customers are based upon the wholesale cost of power to that electric utility pursuant to valid contracts or wholesale tariffs on file with the commission. For purposes of a purchased power adjustment clause, these wholesale rates shall be considered as the base rate for purchased power.

- (1) In the event there is a proposed change in the base rates, the applicant shall file with the commission the following information:
 - (a) A copy of the wholesale supplier's proposed tariff effecting a change in the base rate and a statement from the wholesale supplier evidencing the proposed effective date of the new rates;
 - (b) A detailed statement of electricity purchased for the twelve-month period coincident with the test year of the supplier showing units purchased and cost at both current and proposed wholesale rates.
 - (c) A detailed statement of retail sales by rate classification for the test year ending 6-30-82 with an indication that the proposed increase in retail rates will equal the proposed increase in wholesale power rates. The statement shall include an analysis of customer bills in such detail that revenues from the present and proposed rates can be readily determined.
 - (d) A balance sheet and income statement for the same twelve-month period;
 - (e) Evidence that the electric utility has notified its customers of the proposed change, in the event of an increase only;
 - (f) Revised tariff sheets reflecting the rates the applicant proposed to charge; and
 - (g) Such other information as the commission may request for a proper determination of the purchased power adjustment.
- (2) Upon receipt of the required information, the commission will review the effect of the changed rate upon the applicant's operations and if an increase is proposed, determine whether all or part of the increase can be absorbed by the applicant. An applicant shall not implement its proposed revised rates until the commission issues an order authorizing the applicant to do so.

- (3) The maximum amount of the adjustment so ordered shall not produce revenue adjustments greater than the difference between the purchased power billed at the base rate and the purchased power billed at the authorized revised rate.
- (4) The notice required by subsection 1(e) may be accomplished by a bill insert.

SECTION 2. GENERAL METHOD OF ADJUSTING RETAIL RATES ARISING OUT OF INCREASE IN WHOLESALE SUPPLIER RATES

- (1) For any large power consumer located at, and served directly from, a distribution substation, the load center (customer), demand and energy charges should be increased by the identical amounts that such charges are increased by wholesale supplier.
- (2) Determine base rate revenue for all rate classes (except as determined in (1) above during the test year. Exclude flat customer charge from farm and home rate or any other rate that has such a charge except security lights.
- (3) The wholesale power rate increase (less the amount allocated in Item (1) above should be allocated to each rate class in proportion to the revenue as determined in (2) above.
- (4) For each residential, commercial, and other rate classes that have only an energy based rate, divide the amount allocated in (3) above by the number of units (KWH's) during the test year in each rate class to determine the adjustment factor (cents per KWH).
- (5) For rates that have a demand charge -

Retail demand (KW) rates should be increased in the same proportion as the increase in the wholesale suppliers demand rate.

After applying the resultant increase to the demand (KW) units in the test year for each applicable rate class, the remaining amount in each rate class should be applied to the energy charge (KWH) based on the number of units (KWH) in that rate class to determine the increase per KWH.

SECTION 3. DEVIATION FROM RULES AND PROCEDURES STATED HEREIN

In the utilization of a purchased power adjustment clause, it is recognized that there can exist unusual or special conditions which may require deviations in procedures in order to assure equitable treatment—thus deviation may be used provided proper explanation and support are provided.